



## TRANSMITTAL

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**TO:** Board of Finance

**FROM:** Jayme J. Stevenson, First Selectman

**SUBJECT:** Proposed Budget for FY 2012-2013

**DATE:** March 7, 2012

Presented for the Board of Finance's review is the result of the Board of Selectmen's proposed spending plan for the fiscal year beginning on July 1, 2012 and ending June 30, 2013.

The Board of Selectmen's Proposed Budget is responsible and represents an investment in our community that benefits everyone by spending on services and amenities that support our property values. The themes of this year's budget were two-fold and decided upon by this board:

1. To preserve current service delivery levels according to public will. In spite of a difficult economy, all public comment the Board received was to increase services, not reduce or eliminate them. Nevertheless, the Board of Selectmen did adopt a philosophy of supporting only what this Board viewed as the need-to-haves – not the nice-to-haves.
2. The Board acknowledges that this year we commit ourselves to responsible investment in our infrastructure. The Town took advantage of historically low borrowing and construction costs and supported moving ahead several important and long-deferred capital projects forward – the police station, Weed Beach and the Mather Community Center project. Our predictions are bearing out with construction costs for both the Darien Police Department and Weed Beach coming lower than anticipated.

The Board of Selectmen's Proposed Budget continues the past trend of restrained spending but some cost centers cannot hold the line anymore and capital expenses cannot be deferred indefinitely. For all costs, including capital, this proposal reflects appropriations totaling \$41,298,468 which is an increase of \$2,499,683 or 6.44% over the FY 2012 budget. However, these numbers require further analysis.

The Town operating expenses are proposed to increase by 2.6% over the current fiscal year. As a service organization that relies on staff to meet the service needs and demands of Darien's residents, the total Personnel Cost (salaries and benefits) are proposed to increase by only 2.4%. Other operating expenses which include such items as utility costs, facility maintenance, and grants to partner organizations are proposed to increase by 3.15%.

### Town Budget Changes

	FY2011-12	FY2012-13	Amount Change	Percent Change
Cost of Doing Business				
Personnel	17,057,183	17,468,142	410,959	2.41%
Library Grant	3,186,016	3,266,386	80,370	2.52%
Other Operating	7,054,355	7,276,223	221,868	3.15%
Investments				
Debt Service	10,095,356	11,400,186	1,304,830	12.93%
Transfers - Capital	1,405,575	1,887,531	481,956	34.29%
<b>TOTAL</b>	<b>\$38,798,785</b>	<b>\$41,298,468</b>	<b>\$2,499,683</b>	<b>6.44%</b>

Transfers Out to Other Funds represents funding proposed for the Town's Capital Improvement Plan. On a percentage basis, this increase may seem large, however, the dollar increase can be attributed to a single, one-time expense – State-mandated property revaluation. It has been the Town's practice to fund this requirement all at once instead of building a reserve over time. As a result, it increases the cost of the capital plan. If revaluation did not have to be done, the proposed capital plan would actually be less than the current fiscal year's funding level.

Debt Service represents the largest increase on the Town side of the budget. While this budget made conservative debt service assumptions, the Board of Finance has the opportunity to further reduce debt service costs. We know that your structure for new debt will reduce this budget as presented.

When the Board of Selectmen received the budget, Department Requests were already reduced by \$168,872 in the Operating budget and \$3,141,756 in the Capital Plan to limit budget growth. The Board of Selectmen cut another \$343,762 from the Operating budget and \$608,243 from the Capital Plan. As this document is forwarded to the Board of Finance, it needs to be emphasized that at this point a combined \$512,634 has been cut from the Operating budget and \$3,749,999 from the Capital Plan.

#### ***OPERATING EXPENDITURES:***

The operating expenses reflected in this budget are the cost of doing business to deliver the core services of: General Government, Community and Environment, Protective and Emergency Services, Public Works, Human Services, Parks and Recreation and the \$3.26 million grant to the Darien Public Library.

### Budget Cost Centers

Activity	FY2011-12 Revised Budget	FY2012-13 Proposed Budget	Percent Change
General Government	2,704,351	2,872,677	6.2%
Community Environment	589,852	590,409	0.1%
Protective & Emergency	7,274,443	7,619,175	4.7%
Public Works	4,309,872	4,417,458	2.5%
Human Services	1,291,528	1,295,847	0.3%
Library	3,186,016	3,266,386	2.5%
Parks & Recreation	1,179,692	1,190,676	0.9%

In developing its funding plan, the Board of Selectmen had to consider the challenges, outside influences, and cost drivers impacting the Town in addition to the Board's goals. In many cases, the Town budget needs to respond to pass through costs which come from our service providers. Key drivers of the operating budget increase are:

- Additions were made to the budget to account for the known senatorial primary. Rather than taking funding from contingency, the budget includes this known cost and reduced contingency by the same amount.
- Increasing legal services, primarily for land use issues. The Town Attorney's hourly rate will remain unchanged for FY2012-13.
- The Police budget overall is increasing with a policy decision to accommodate the trial year for the School Resource Officer and pass through costs which result from the increased operating expenses associated with the new building.
- Contractual obligations from our employee unions.
- The grants for the three departments are proposed to be increased in light of both increased costs to operate the stations and that local fund raising has not been as strong as the past. While this too can be construed as a pass through cost, this Board views it as an investment in the continued volunteer service delivery model.
- Social Services continues to see increased demand for services and the case load is becoming more complex with residents requiring more services from the department. This has an impact on staffing to deliver the basic services as well as the resources needed to provide essential payments.
- Healthcare costs assume a significant rate increase at this point in time. The size of the increase is usually moderated as the budget evolves and better utilization data indicates reductions in the amount of the increase. However, the Town will be shopping its healthcare plan to other insurers to explore more competitive rates for comparable coverage. More definitive information will not be known until March.

#### ***DEBT SERVICE:***

At this time, without further direction from the Board of Finance, debt service is proposed to increase by \$1,304,830 to \$11,400,186 from the current fiscal year appropriation of \$10,095,356 to retire total outstanding debt of \$85,005,273. The Board of Finance's decision to structure new debt has delivered savings and opportunities to re-finance debt may reduce this sum further.

Even with changes to the bottom-line cost for debt, this budget deserves further analysis because it carries the debt service for not only Town capital projects but Board of Education projects and sewer projects.

#### **Debt Service Comparison**

	<b>2012 Budget</b>	<b>2013 Budget</b>	<b>Difference</b>	<b>% of Total Debt</b>
Sewer Debt	\$578,421	\$651,691	\$73,270	5.72%
Town Debt	\$176,259	\$1,513,908	\$1,337,649	13.28%
School Debt	\$9,340,676	\$9,234,587	(\$106,089)	81.00%
<b>TOTAL</b>	<b>\$10,095,356</b>	<b>\$11,400,186</b>	<b>\$1,304,830</b>	<b>100.00%</b>

Sewer debt service represents 5.72% of the proposed total appropriation needed to pay down an outstanding debt amount of \$5,806,273 – or 6.8% of the total bonded debt of Darien. Debt service for Board of Education projects represents 81% of the proposed budget amount and responds to \$61,333,000 of outstanding debt – or 72.2% of the total bonded debt of Darien.

Debt service for Town projects represents 13.28% of the proposed debt service budget which is meant to pay down outstanding debt of \$11,866,000 for Town projects – or 14% of the total bonded debt of Darien. As mentioned earlier, this investment addresses long-deferred infrastructure needs. I am pleased that our town has supported addressing these needs in this very favorable financing environment. Kicking the can down the road would be far more costly in the long run.

***CAPITAL EXPENDITURES:***

Funding needed for the capital budget is proposed to increase by \$464,954 to \$1,985,381 from the current budget of \$1,493,427. The Board of Selectmen made significant reductions in capital requests but supported prudent equipment and reserve investments. Key drivers of this increase include \$500,000 for the 2013 state-mandated property revaluation – this amount alone exceeds our overall capital increase. Additional drivers are equipment and vehicle replacements and reserves for the Police and Fire Departments, safety upgrades to the Old King's Highway South Bridge and a new Town Hall gym divider.

***CONCLUSION:***

I would like to thank all our department heads, Administrative Officer Karl Kilduff and Finance Director Kate Buch for their diligence in the budget preparation process. I would also like to thank my fellow members of the Board of Selectmen for their thoughtful efforts in producing this proposed budget.